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Mexico

Food Service - Hotel Restaurant Institutional

Restaurant Industry in Mexico

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Report Highlights:

The restaurant industry in Mexico has overcome some difficult years. The economic downturn and swine flu epidemic of 2009 resulted in the closure of approximately 6,000 establishments. However, the restaurant industry in Mexico has managed to reverse this trend and has gradually recovered by finding new ways to expand and develop. The restaurant foodservice market still represents a big opportunity for U.S. suppliers especially for restaurant chains, fast food and fine dining restaurants that cater to both domestic and international consumers.

SECTION I. MARKET SUMMARY

According to CANIRAC, the National Restaurant Chamber, and the last census from The National Institute of Statistics and Geography (INEGI) there are 420,000 establishments dedicated to food sales in Mexico. Four percent are defined as full-services restaurants, chains, and franchises, which offer consolidated services. Ninety-six percent of the total is medium and small independent restaurants.

The restaurant industry in Mexico employs to 1,350,000 direct and 33,000 indirect workers. The sector represents 1.2% of the National Gross Domestic Product, or approximately \$ 18,000 billion dollars in restaurant sales.

During the past few years the Mexican restaurant industry has faced serious threats and many establishments did not survive. Some of the factors contributing to the decrease in size of the restaurant industry are:

- The global financial crisis resulting in a 11.7% decrease in sales during 2009
- The Smoke-Free law, which scared away some consumers who smoked
- The outbreak of the swine flu (AH1N1) in May 2009, which had an immediate negative impact resulting in the closure of approximately 6,000 establishments
- The increase in violence and deteriorating security situation in the Mexican states of Chihuahua, Baja California, Sinaloa, Guerrero, Nuevo Leon, and Michoacán
- Competition from informal street vendors with about 700,000 street-food vendors in Mexico

Full service restaurants (FSR) were by far the most negatively affected during 2009, recording a 9% loss in sales and accounting for the closure of 6,000 restaurants. Their performance rebounded in 2010 but did not compensate entirely for all the losses that were recorded the previous year.

During the past 10 years, the Mexican restaurant industry expanded 12.2%; however this growth did not keep pace with the 24.1% GDP growth rate recorded for the same 10 year period. The increase in violence and deteriorating security situation in Mexico complicated the recovery of the entire consumer foodservice sector (CFS). Additionally, the tourism sector is critical to the economy as it contributes approximately 8% of the country's GDP. The tourism industry took a bid hit when tourists began to cancel trips in 2009 due to the increase in violence and swine flu scare. As a result, the CFS was also affected as these two sectors are closely linked together. The foodservice industry is also linked strongly to the economic performance of the country, and 2011 has been a year with stronger sales. The growth of the restaurant foodservice sector for 2011 is expected to reach 3 to 3.5%, similar to the GDP growth of 3.9%.

The Mexican restaurant market is divided into five categories:

- Fine-Dining/Full-Service Restaurants: higher priced/targets middle-to-high end consumers
- Casual-Dining Restaurants: affordable, family friendly dining outlets
- Fast-food
- Quick and Casual Restaurants, which include coffee shops, targets middle income consumer
- Small independent restaurants, street/mobile outlets (kiosks, stalls, etc.)

Within the restaurant sector there is a large number of independently owned businesses. Over 353,000 of these offer full-homemade meals known as “comida corrida” at cheap prices. These small restaurants are known as “fondas” and are popular among middle and low income consumers who do not eat at home. Restaurants that belong to the “organized” restaurant segment are chains and large establishments, including fast food, casual dining, fine dining, cafes and bars.

Table 1. Consumer Foodservice by Independent versus Chain/Organized Outlets (2010)

Outlets	Independent	Chain/ Organized	Total	% Total
Cafes/Bars	27,644	1,489	29,133	4.9%
100% Home Delivery Takeaway	1,830	1,085	2,915	0.5%
Full-Service Restaurants	172,563	2,623	175,186	29.3%
Fast Food	17,833	18,321	36,154	6.05%
Street Stalls/kiosks	352,521	817	353,338	59.2%
Pizza CFS	2,857	1,576	4,433	0.74%
Total Consumer Foodservice	572,391	24,335	596,726	100%

Source: Euromonitor

Full Service Restaurants

In 2010, the FSR sector recorded a sales increase of 3% reaching approximately \$21 million dollars. Wal-mart is a very important player in the FSR sector owning VIPS and El Porton restaurant chains. VIPS, El Porton and Grupo Sanborns, a privately owned company, have together experienced a slight increase in sales of more than 1%. These large FSR chains are well consolidated in the Mexican market and are present in every state of the country. VIPS has close to 270 outlets around Mexico and Sanborns has 194 outlets. Other grocery retailers such as Comercial Mexicana and Gigante own and operate other popular chain restaurants such as Restaurantes California and Toks, respectively. Most large restaurant chain outlets in Mexico expand by franchising.

As a strategy to keep attracting consumers, price promotions have played an important role in the FSR sector. Some of these chains offer food combos at an affordable price which include a salad or soup, a main dish and a beverage for \$ 5 - \$7 dollars. Vips implemented a successful loyalty card program that offers a 10% discount after the first visit, a 20% discount for the second visit, 30% for the third, 40% for the forth and 50% for the fifth visit.

In Mexico the most popular and numerous FSR outlets feature Latin American cuisine which includes Mexican food and other national cuisines like Argentinean, Brazilian and Colombian. Very popular in Mexico are Argentinean restaurants. Local consumers love consuming red meat. Argentinean restaurants account for over 10,000 outlets across Mexico.

Casual-Dining Restaurants

Casual-dining has been very successful in Mexico targeting middle-to-high income consumers. Popular American full service restaurant chains such as Chili's Bar & Grill, TGI Friday's, Papa Bill's Saloon and Applebee's are successful, as are other FSR restaurants such as Italiannis (Italian Food), La Destileria (Mexican Food), PF Chang Bistro and California Pizza Kitchen. Consumers appreciate the environment, décor, good food and affordable prices of these restaurants.

Some of these casual-dining restaurants, such as Applebee's, Italiannis and other FSR chains have taken customers away from full-service cafeterias such as VIPS and Sanborns by expanding their menu offerings to include breakfasts. Some consumers prefer the ambiance of casual-dining establishments over full-service cafeterias since the cost is similar.

American FSR chains experienced strong growth in 2010. These outlets witness a 15% increase in sales resulting in the opening of 20 new outlets. These restaurants were successful because the category of restaurants includes some of the most popular restaurant chains in the country such as Chili's Bar & Grill, Applebee's, La Mansion and Chiltepinos. These restaurants witnessed a 30% increase in the number of outlets during 2007-2008.

Table 2. Brand Shares of Full-Service Chain Restaurants 2007-2010

Brand	Global Brand Owner	2007	2008	2009	2010
Restaurante Sanborns	Sanborns S.A. de C.V.	15.1	14.7	14.3	15.6
Vips	Walmart de Mexico S.A. de C.V	13.1	13.2	13.0	13.4
Toks	Gigante S.A de C.V	4.7	4.9	5.3	5.5
Pizza Hut	Yum Brands! Inc.	6.4	6.5	6.2	5.4
Applebees	Various Franchises	2.2	3.1	3.4	3.7
El Porton	Walmart de Mexico S.A. de C.V.	3.0	2.9	3.0	2.7
Los Bisquets Obregon	Desarrolladora de Franquias los Bisquets los Bisquets Obregon	2.9	2.7	2.7	2.6
Chilis Grill & Bar	Various franchises	1.2	1.7	2.3	2.3
California	Restaurantes California SA	2.3	2.4	2.2	2.2
Restaurante Liverpool	El Puerto de Liverpool SA de C.V.	1.5	1.5	1.7	1.8
Chiltepinos's	Restaurante Chiltepinos S.A. de C.V.	-	0.8	1.3	1.8
Avon Wings	Corporacion Mexicana de Restaurants S.A. de C.V.	2.0	2.1	1.8	1.8

Sushi-itto	Itto Restaurantes	1.9	1.8	1.7	1.6
Chilis Bar & Grill	Alsea SAB	1.1	1.2	1.5	1.6
Italiannis	Grupo Amigos de San Angel S.A. De C.V.	1.6	1.5	1.5	1.5
Las Gaoneras	Franquicias, restaurants de los Angeles	1.2	1.2	1.3	1.4
La Mansion	Grupo La Mansion S.A de C.V.	1.3	1.3	1.4	1.2
Wings Army	Operadora Wings Army SA de CV	-	0.6	0.8	1.2
100% Natural	La Era Natural S.A de C.V.	1.2	1.0	1.1	1.0
Papas Bill's Saloon	Papas Bill Restaurant	0.6	0.9	1.0	1.0
Potzolcalli	Potzolcalli S.A de C.V.	0.8	0.8	0.7	0.7
Café Plaza	Grupo Café Plaza	0.7	0.7	0.7	0.7
Anderson's	Grupo Andersons SA de CV	0.6	0.7	0.6	0.7
Fisher's	Grupo Fishers S.A de C.V.	0.6	0.7	0.6	0.7
Angus Butcher House	Central de Franquicias Franquierestantera S.A de C.V.	0.7	0.8	0.7	0.7
Sirloin stockade	Grupo Refran SA de CV	0.6	0.6	0.7	0.7
Crudalia	Que Alivio Franquicias	0.2	0.4	0.5	0.6
Arrachera la Silla	Arrachera la Silla Steakhouse S.A.	0.7	0.6	0.6	0.6
Señor Frogs	Grupo Anderson	0.7	0.6	0.6	0.5
El Papalote Taco & Grill	El Papalote Taco & Grill S.A de C.V.	0.5	0.5	0.5	0.5
Others		30.3	27.5	25.7	24.0
Total		100	100	100	100

Source: Euromonitor

Fast -Food

The fast food sector was much less affected by the 2009 economic downturn and had a stronger recovery during 2010 than any other sector. This sector recorded a 7% increase in sales for 2010. Fast food chains are much more popular than independent fast food outlets. Fast food chains account for 55% of total sales in the fast food sector and 51% of the total number of fast food outlets.

Franchising in Mexico is more concentrated in the fast food sector. Fast food chains that offer home delivery or take out such as Dominos Pizza, or Little Cesar's, account for 37% of total fast food outlets. The most competitive sector is the fast food sector since the large fast food chains are regularly more competitively managed than independent restaurants.

The fast food industry in Mexico is also very fragmented; convenience stores lead the growth in all

categories within the fast food sector with increased sales of 23%, or \$ 500 million dollars. This was the result of the strong growth in the number of OXXO convenience store openings over a 5 year period. OXXO is the largest grocery retailer in the country with more than 8,000 outlets nationwide. Sales of prepared food in convenience stores is just a small fraction of total sales, however, sales remain strong in fast paced cities like Mexico City because consumers want to purchase a meal on the run.

In Mexico the preferred and largest fast food categories are:

- Mexican style sandwiches know as “tortas” served in establishments are known as “Torterias” such as Tortas Hipocampo
- Tacos are served in establishments known as “Taquerias” such as Taco Inn
- Fast food burger chains are the third largest category, dominated by Mc Donald’s and Burger King

The frozen yogurt sector, which is also considered a fast food outlet, grew by 7.3% of the total foodservice value growth for the past three years. Several frozen yogurt ice cream companies opened during 2010 competing with Nutrisa, an established chain of nutritious products in Mexico. Some of these new yogurt companies including but not limited to Nunys, Yogurtland, Tutti Frutti, Moyo and Yogen Fruz are offering consumers new choices such as paying by weight and offering self-service.

Table 3. Leading Chain Foodservice Brands by Number of Outlets 2010

Brand	Global Brand Owner	Outlets
OXXO	FEMSA	8,275
7-Eleven	7 Eleven Mexico	1,070
Extra	Model o S.A. de C.V.	950
Hawaiian Paradise	Franquiciadora Hawaiian Paradise S.A de C.V.	747
Heladerias Holanda	Unilever S.A. de C.V.	600
Subway	Doctors Associates Inc	495
Dominos Pizza	Alsea SAB	426
The Italian Coffee Company	Italian Coffee S.A. de C.V	397
Mc Donalds	Mc Donalds S.A. de C.V.	390
Burger King	Burger King S.A. de C.V	385
KFC	Yum Brands INC	330
El Pollo Feliz	El Pollo Feliz S.A. de C.V	302
Nutrisa	Nutrisa S.A.	293
Starbucks	Starbucks de Mexico S.A. de C.V.	287
VIPS	Wal-Mart de Mexico	267
Pica Limon	Grupo Empresior	209
Restaurant Sanborns	Sanborns S.A de C.V	194

Gorditas Dona Tota	Gorditas Dona Tota S.A.	187
Pizza Hut	Yum! Brands	175
Helados Santa Clara	Santa Clara productos Lacteos S.A. de C.V.	173
Mak Freeze	Mak freeze Mexico	169
Tortas Locas Hipocampo	Restaurantes Hipocampo S.A. de C.V.	158
Coco Express	Coco Express de Mexico	145
Dominos Pizza	Various Franchises	158
Benedettis Pizza	Benedettis S.A. de	144
Café Macchiato	Franquiciadora Hawaiian Paradise S.A de C.V.	143
Beleki	Beleki De Mexico S.A. de C.V	125
Dippin Dots	Helados del Futuro	124
Café Punta de Cielo	XKmex S.A. de C.V.	120
Taco Inn	Operadora Suiza Mexicana SA de CV	117
Others	Others	6,780
Total	Total	24,335

Source: Euromonitor

Alsea SAB de C.V. is one of the major leaders of consumer foodservice companies in Mexico with revenue reaching \$6.13 billion dollars of net profit in 2008. Alsea has 5% of total retail sales in the chained CFS. It has expanded into a number of Latin American countries including Brazil and Argentina. The company's success is a result of being the master franchisor of very successful CSR brands such as Starbucks, Dominos Pizza, Burger King, Chilis Grill &Bar, California Pizza Kitchen and P.F. Changs China Bistros in Mexico.

Alsea's strongest chain is their pizza outlets (100% home delivery/takeaway). Dominos pizza continues to perform well in the market and is 44% of the total foodservice sales. Alsea has a vertically integrated structure and operates its own distribution company, DIA (Distribuidora e Importadora Alsea) to better service its own outlets.

Coffee Shops/Bars

During 2010, cafés/bars recorded a 4% sales growth rate reaching \$428 million dollars. The fastest growing category in foodservice sales is coming from bar chains with sales growing 13% in 2010. Bar chains have been very proactive in attracting consumers by offering things like live music over the weekends or discounts with specific menu purchases. These bars offer a broad food menu which also helps to attract consumers.

Coffee consumption is culturally very low, at around 2kg per person per year. Because of this growth of specialty coffee shops in Mexico is considered to be high. Specialty coffee shops have a significant, but not extensive food menu. Most of the food is simple such as cake slices, cookies, bagels, and sandwiches. The food sales account for 23% of total sales. Coffee chains dominate specialty coffee

shops, representing a remarkable two-thirds of total outlets and accounting for 80% of total sales. Starbucks and the Italian Coffee Company are the two leaders in this highly fragmented sector characterized by thousands of small independent coffee shops and bars. Of the chain coffee shops, Starbucks leads with 39% of the total foodservice value.

A third important player is Café Punta del Cielo, which had the largest expansion in 2010 capturing 1% of the coffee shop value. In 2010 the Coffee Factory chain was purchased by the bus line company Autobuses de Oriente and renamed it Cielito Querido Café, a new chained coffee company with a Mexican décor and style, but replicating the Starbucks concept. The expansion of specialist coffee shops will continue in Mexico. Starbucks opened 300 outlets at the beginning of 2011 and the company expects to double that number within 5 years.

Table 4. Cafés/Bars by Category: Units/Outlets 2005-2010

Outlets	2005	2006	2007	2008	2009	2010
Chained Cafés/ Bars	782	1,018	1,158	1,363	1,438	1,489
Independent Cafés/Bars	24,811	25,471	26,037	26,969	27,261	27,644
Bars/Pubs	24,330	24,931	25,457	26,346	26,635	27,007
Chained Bars/Pubs	31	37	40	40	39	41
Independent Bars/Pubs	24,299	24,894	25,417	26,306	26,596	26,966
Specialist Coffee shops	1,263	1,558	1,738	1,986	2,064	2,126
Chained Specialist Coffee Shops	751	981	1,118	1,323	1,399	1,448
Independent Specialist Coffee shops	512	577	620	663	665	678
Cafés/Bars	25,593	26,489	27,195	28,332	28,699	29,133

Source: Euromonitor

Restaurant Industry Trends in Mexico

According to CANIRAC some of the main trends of the Mexican restaurant industry are:

- **Focus on Healthy Menu Options:** Mexico has the highest rate of obesity among youths in the world. Obesity is an alarming public health concern; however, it has failed to resonate in the restaurant industry. Some FSR like VIPS and Sanborns have made some clear efforts to offer healthier menu options with dishes displaying nutritional information.
- **Focus on children and teenagers:** These represent a clear business opportunity since children and adolescents represent the viability of the future for these companies. Many restaurants have adapted their menu offerings and remodeled their spaces to make them more attractive to this growing segment.
- **Promote Traditional Mexican Cuisine:** In 2010 the United Nations Education Scientific and Cultural Organization (UNESCO) declared Mexican cuisine a part of the intangible heritage of

humanity due to its cultural richness and different regional cuisines. There is a increased trend to prepare traditional Mexican cuisine with natural and /or organic products.

- **Promote and consolidate the concept of “Gastroetnologia”:** Going beyond the concept of wine/beer pairings with certain foods, *Gastroetnologia* promotes national and international tourism through gastronomical tours that go all over Mexico tasting and sampling the different regions’ cuisines.

Table 5. Advantages and Challenges of U.S. Products

Advantages	Challenges
The demand for imported products depends on the availability and price of certain food products.	The price of food is a key factor in food purchases. For some U.S products if the price is higher, then suppliers will purchase the local product.
Sharing a border with the U.S. gives the U.S. exporter a competitive advantage over third country suppliers	As Mexico’s food distribution infrastructure continues to improve, other countries are now able to deliver product more efficiently to the Mexican market
U.S. food products are regarded as high-quality	The fluctuation of the exchange rate and inflation rate make U.S food products more expensive than local products
Local investment from restaurant chains continues to grow	Local suppliers are fighting to win the market. They are approaching U.S. restaurant chains in Mexico to sell food and beverage products at very competitive prices
Well established U.S. restaurants in Mexico (e.g.: The Palm, Morton’s) source the majority of their products from the United States	There are a limited number of fine-dining U.S. restaurants, which import most of their food supplies.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. ENTRY STRATEGY

U.S. suppliers are encouraged to look for multiple local distributors in Mexico and identify distributors that service the major cities including Mexico City, Guadalajara, Monterrey, Cancun and other Pacific coastal cities, where most of the foodservice market is concentrated. Mexican restaurant operators rarely import directly from foreign suppliers, except for a few restaurant chains. In general, personal relationships are important so restaurant operators deal with established suppliers and local distributors that provide excellent client services, have the infrastructure to handle a variety of products and have good cold chain management.

In Mexico the best way to finding a distributor and determine the feasibility of commercializing a product in the market is to travel to Mexico and meet with several distributors. Mexico has a culture where personal business relationships are very important. U.S. companies can take advantage of the USA Pavilions organized by the Agricultural Trade Office in Mexico to exhibit their products and meet key contacts including officials from large distributors who exhibit at the most important foodservice tradeshow.

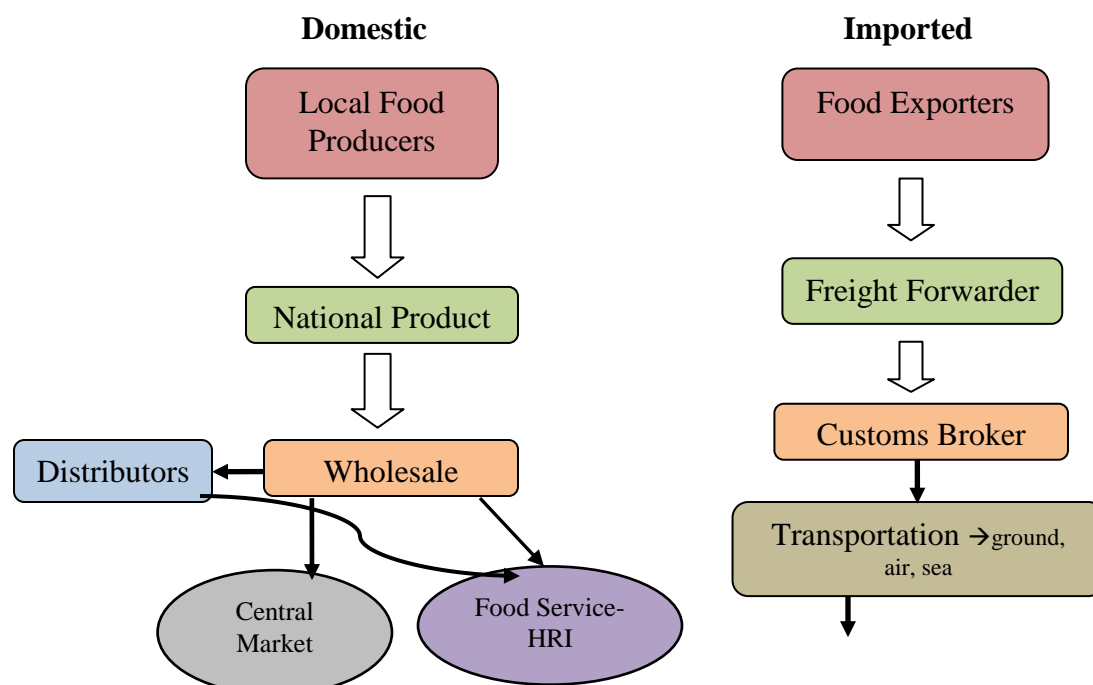
Approximately 80% of all U.S. exports to Mexico are transported by truck. Under NAFTA most U.S. food products can be imported duty-free into Mexico, however on March 18, 2009, the Secretariat of Economy (SE) published in the *Diario Oficial* (Federal Register) an announcement modifying the import tariffs of 90 U.S. agricultural and industrial products. This announcement was retaliation from the Government of Mexico (GOM) over the dissolution of the U.S.-Mexico Cross-Border Trucking Demonstration Project. The list included 36 agricultural products worth an estimated trade value of \$864 million. On October 21, 2011, both governments agreed to a resolution to the dispute. Mexico agreed to lift the tariffs applied to 99 U.S. agricultural and industrial products in exchange for allowing Mexican trucks in the United States.

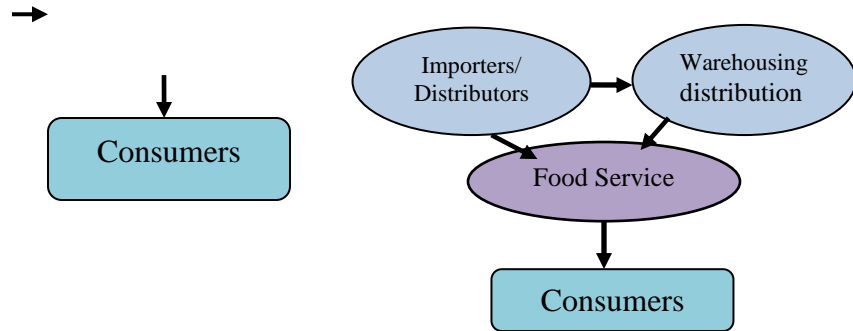
The complete list of agricultural products is available in the following report:

[MX1076 Mexico Eliminates Trucking Retaliation Tariffs Against Ag Products](#)

B. MARKET STRUCTURE

Distribution Channels for the Consumer Foodservice Industry in Mexico



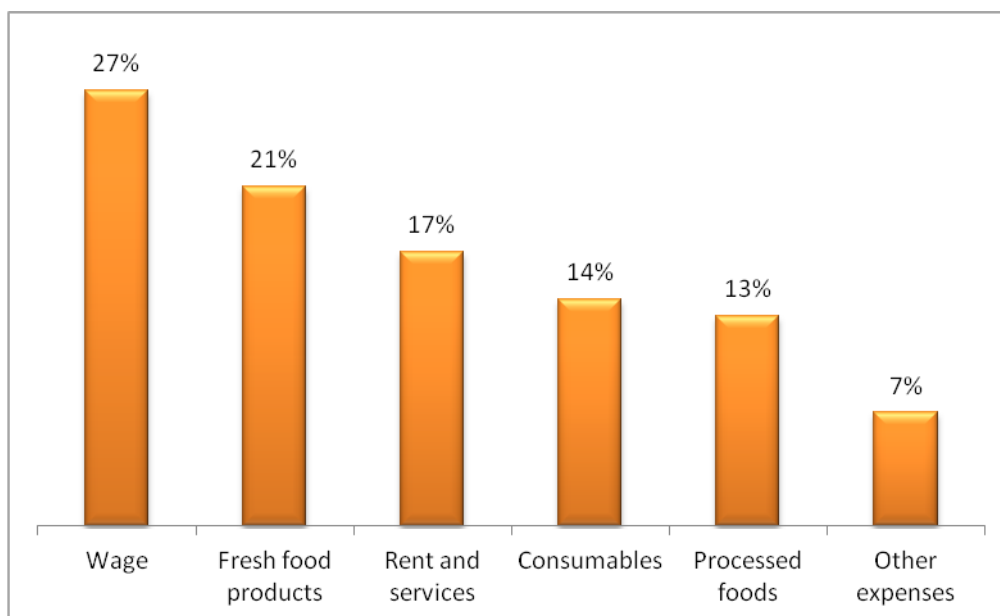


Restaurant Food Supply

The Mexican restaurant industry annually procures approximately \$1.8 billion dollars of local food products, mainly fruits and vegetables, legumes, meat and seafood products. Food products are delivered to restaurant outlets through both modern and traditional channels of distribution. Usually restaurants procure their produce from the Central de Abastos (Central Market), while the supply of seafood and meat products is usually procured through specialized local distributors. These distributors guarantee adequate cold chain management.

On average 48% of the purchases made by restaurants were for beverages (bottled water, soda, beer, alcoholic beverages) and 52% for food products. The food products purchased are broken by as follows: 37% is processed food (canned food, cold cuts, dairy products, pasta, rice, etc.) and 63% is fresh food (produce, meat, fish, seafood and poultry.)

Graph 1 . Total Restaurant Expenditures



Source: El Economista Newspaper- Suplemento Agointeligente June 30, 2011

The relationship between the restaurant industry and food producers is critical; restaurateurs require Mexican food suppliers to enhance their food supply and make it more consistent. According to CANIRAC, 85% of the restaurant industry food supply is local and 15% is imported. These percentages change for some up-scale U.S. restaurant chains such as The Palm or Morton's where 60% of the products are supplied from the United States

Distribution

The foodservice distribution is as follows:

- Distributors can be divided into the following categories:
 - Independent importers and/or distributors that have their own warehouses and deliver to all HRI sector. They offer import assistance in all the required documentation like the certificate of origin, compliance with the different Mexican norms, etc.
 - Distributors who specialize in one product type such as meat or seafood products (Comercializadora Norteamericana for meat and el Sargazo for seafood).
 - Distributors who specialize in several products such as frozen and/or refrigerated products and dry goods.
- Wholesalers usually work with locally produced goods. They generally supply the product but do not offer additional assistance to their clients and these transactions are usually made in cash. More than 80% of total produce is marketed through the Central Market (Central de Abastos.)
- Large consumer food service companies like Alsea have their own distribution company to service their own outlets.
- Price clubs/club stores (Costco and Sam's Club) sell and distribute basic dry goods and some fresh products. They have accessible locations, affordable prices, and accept credit cards. In the past few years Costco developed a new distribution system for its foodservice clients.
- Direct sales are rare, but some large restaurant chains can buy specific products directly.

Purchasing decisions by large restaurants chains are usually made by the purchasing manager or the corporate buyer. Chefs play an important role in purchasing decisions and they tend to focus more on the quality and taste of the product than buyers who focus primarily on price.

Smaller and independent restaurants generally work with smaller food suppliers and their distribution. Price, service and relationships are the most important variable for these enterprises. This restaurant segment will look for what is close and available rather than a more integrated and complex distribution channel.

SECTION III. COMPETITION

U.S. exports of agricultural products to Mexico were valued at \$14.6 billion dollars in 2010. Mexico is the third largest U.S. trading partner after China and Canada. The United States still dominates Mexico's food imports with around 70% of the total market. The main products that U.S. exports to Mexico are: beef, rice, soybeans, apples, turkey, sugars and sweeteners, apples and dry edible beans.

Table 6. Total Agricultural Trade by Supplier 2009- 2010

Total Agricultural Trade HS Code 1-24	% Rank Country	% Share
Net Imports 2009 (USD): \$ 18 Billion Net imports YTD Q3 2009: 12.9 billion Net Imports YTD Q3 2010: 14.5 billion	1 United States	72
	2 Canada	7.3
	3 Chile	2.8
	4 Guatemala	1.8
	5 China	1.4
	6 New Zealand	1.3
	7 Spain	1.2
	8 Argentina	1.0

Source: Global IT (FAS import data)

Mexico has negotiated free trade agreements with eleven other countries, including Chile, Japan and the European Union, so third country competition has increased. Canada and Chile are two of the largest third country competitors.

The main competition for U.S. suppliers in Mexico is:

- Local Manufacturers:** Large local food processors like Bimbo and Herdez have the greatest market penetration, dominate the foodservice sector and have an advanced distribution system. Bimbo is the leading company in the country for bread, pastries and snacks. Grupo Herdez is the leader in processed and canned food and also owns Barilla Dry Pastas and have a joint venture with Hormel and McCormick Companies.
- Transnational Companies:** Global companies like, Nestlé, Unilever and Kraft Foods Mexico are also active local suppliers. Nestlé supplies the local foodservice sector with different categories of products that include but are not limited to beverages, dairy, refrigerated products, breakfast cereals, chocolate and bottled water. Unilever has a food solutions division that offers specialized training to restaurants and caterers on the use of ingredients to add taste and simplify the cooking process. Much of their success is due to their strategic alliances with the largest chained foodservice operators, such as Food Service de México, to supply them with a wide variety of products ranging from sauces, dressings and condiments, to dairy products and baked goods.

Worldwide food prices increased significantly during 2010 for a number of products such as tomatoes, sugar, grains and legumes, a situation that will continue to affect the profit margins of restaurateurs. Together with the fluctuation of the exchange rate and the increase in food prices, restaurant operators will continue to purchase local products rather than the more expensive U.S. products.

SECTION IV. BEST PROSPECTS

The Mexican restaurant industry is expected to grow and look to source products that will make the cooking experience easier and that will add value to their meals.

Specialty Food Products

There is an opportunity for U.S. companies who manufacture specialty food products to do well in Mexico because of the growth of specialty restaurants in major cities.

Healthier Food Products

Mexico now is the world leader in obesity of its young population. The Mexican government, as well as the private sector, is focusing more and more on products which can contribute to a healthy, well balanced diet. Natural agricultural products are well positioned to capitalize on this growing segment with clear health benefit instruction with chefs, cooks and other personnel so that these products can gain greater importance.

Seafood and Fish Products

Fresh and frozen seafood are growing in demand. Most restaurant operators purchase seafood and fish locally; however, some up-scale restaurants look for varieties of fish and other seafood that cannot be found in Mexico such as King crab, wild salmon, canned salmon, fish eggs, among others.

Organic Products

There is growing interest in organic foods. Even though almost 85% of the organic products in Mexico are exported to other countries, there is a market niche of educated consumers that look for organic food products. Very few establishments in the restaurant industry use or promote organics. However, some celebrity chefs are using them in traditional Mexican dishes.

U.S. Wines

With a 9% growth rate in the overall wine market in Mexico, American wineries need to focus their attention on this expanding market. U.S. wines have a small presence locally and account for only 6% of total imports. With a well developed strategy there is large potential for growth.

SECTION V. POST CONTACT AND FURTHER INFORMATION

For further information and to learn more about the services provided by the Agricultural Trade Offices (ATO) in Mexico, please contact us at:

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FAS/Mexico Web Site: We are available at: <http://www.mexico-usda.com> or visit the FAS headquarters' home page at: <http://www.fas.usda.gov> for a complete selection of FAS worldwide agricultural reporting.

Related Tradeshow in Mexico:

Alimentaria

Date: June 5-7, 2012
Location: Centro Banamex Convention Center, Mexico D.F.
Website: www.alimentaria-mexico.com

Exphotel Cancun

Date: June 13-15, 2012
Location: Cancun Convention, Center Quintana Roo
Website: www.exphotel.net

Abastur

Date: August 28-30, 2012
Location: Banamex Center, Mexico D.F.
Website: www.abastur.com

Sources:

National Chamber of the Restaurant Industry and Spice up Foods(CANIRAC)
Mexican Statistics and Geography Institute (INEGI)
Euromonitor
“El Economista” Newspaper – Agointelligent Bimonthly Supplement

USDA official data